# Weekly Economic Review

## Housing starts remain solid

### Housing Starts

Starts well above last year's levels

In June, for the fourth month in a row, Alberta housing starts exceeded 30,000 (annualized); this was down modestly from May. The monthly pull-back was the result of fewer multi-unit starts offsetting continued increases in single unit starts (Chart 1). The slowdown in multiples was concentrated in Edmonton, which fell to a five-month low, and overshadowed multiples in Calgary hitting a nineteen-month high. Housing starts in the first half of 2017 were up 22% from the first half of 2016. Single-family starts remained a source of strength with year-to-date gains in both Edmonton and Calgary. Housing starts have also been supported by the rebuilding efforts in Fort McMurray.

### New Housing Price Index

New home prices edge lower

The price of new homes declined modestly in May. Alberta's new home price index (NHPI) edged 0.2% lower after holding steady for the last five months. The decline in prices was a result of slightly lower prices in Calgary as homes prices in Edmonton were unchanged. The house-only component pulled new house prices down 0.8% from a year ago and 1.4% lower than the cyclical peak reached in December 2014, reflecting lower construction costs for new home building and a softening of market conditions following the oil price drop. New home prices are now 4.4% below the all time peak reached in December 2007.

### New Vehicle Sales

Alberta sales continue to rise

Alberta new vehicle sales increased in May, rising to the highest level since 2014. New vehicle sales were 17% higher than a year ago. The gains have been solely based on rising truck sales which have surged 26% from May 2016. Year-to-date, new motor vehicle sales were up 12% from the same period of 2016. These gains were entirely due to truck sales, which surged 16% and offset a 1.2% drop in passenger car sales.

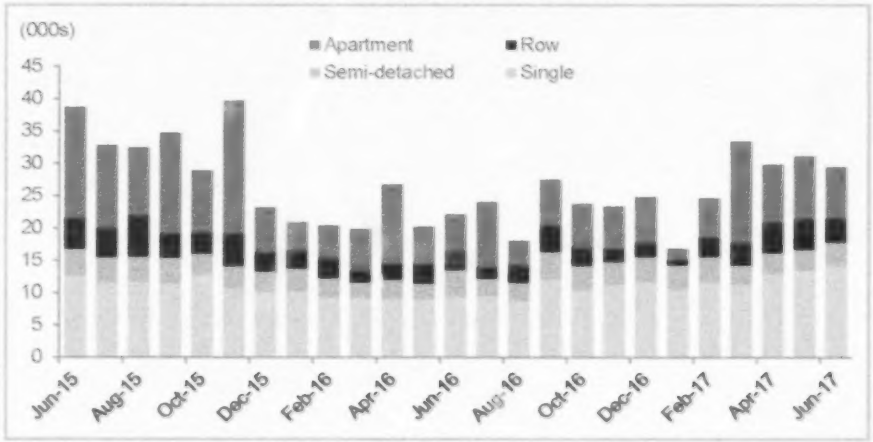
### Monetary Policy

Bank of Canada raises rates

The Bank of Canada (BoC) announced its first rate hike in seven years in response to improvements in its economic outlook. The overnight lending rate was hiked by 0.25 percentage points to 0.75%. This is still 0.25 percentage points lower than when the Bank started cutting rates in 2015 in response to the collapse in oil prices. The Bank increased its forecast of Canadian economic growth to 2.8% for this year, up from the previous forecast of 2.6%. Even with improvements in real GDP, inflation has remained below the BoC's target of 2.0%. The bank sees the recent weakness in inflation as temporary and expects inflation to return to 2.0% by mid-2018.

Chart 1: Single-detached housing starts continue to be a source of strength

Alberta's monthly urban (10,000+) housing starts (SAAR)




**Source:** Canadian Mortgage and Housing Corporation

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.